

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

DMG5018 – MANAGEMENT ACCOUNTING 1

(All sections / Groups)

7 OCTOBER 2016

3.00 p.m – 6.00 p.m

(3 Hours)

INSTRUCTION TO STUDENTS

1. This question paper consists of 6 pages with 5 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1**Part A**

You have recently been appointed as the manager for a company that manufactures and sells electrical appliances. The founder's daughter is seeking your help to better understand the activities and responsibilities of a manager in order to complete her university assignment.

Instruction

Briefly explain the three broad functions of a manager.

(3 marks)

Part B

Noris Furniture Sdn. Bhd. manufactures and sells contemporary furniture. The company incurs the following manufacturing costs and expenses in a typical month.

1. Bolts, nuts and screws used for repair of factory machines.
2. Cost of electricity and water used in factory building.
3. Depreciation on factory equipment.
4. Fire insurance on factory building.
5. Foam and polyester fiberfill wrap used for sofa padding.
6. Rent on factory building.
7. Salaries of security guards for factory building.
8. Wages of assembly line employees.
9. Wages of employees who pack furniture into carton boxes.
10. Wood and glass used in producing glass cabinets.

Instruction

Classify the above items into direct materials, direct labour or manufacturing overhead.

(5 marks)

Part C

The following Statement of Comprehensive Income was prepared by the newly hired junior accounts executive of Bright Lighting for the year ended 31 December 2015.

Bright Lighting		
Statement of Comprehensive Income for the year ended 31 December 2015		
	<u>RM</u>	<u>RM</u>
Sales revenue		600,000
Less: Operating expenses		
Raw material purchases	208,000	
Direct labour costs	139,000	
Indirect labour costs	23,000	
Office salaries and expenses	161,000	
Factory expenses	48,000	
Utilities expense	30,000	(609,000)
Net loss		<u>(RM9,000)</u>

Due to his lack of experience, the junior accounts executive has sought your help to review the statement before submitting to the accountant. In line with this, you have obtained additional information as follows.

- Inventory balances as at 1 January 2015:
 - Raw materials RM14,000
 - Work in process RM12,000
 - Finished goods RM25,000
- Inventory balances as at 31 December 2015:
 - Raw materials RM26,000
 - Work in process RM10,000
 - Finished goods RM30,000
- Only 70% of the utilities expense apply to factory operations. The remaining amounts should be charged to selling and administrative activities.

Instructions

- Prepare the Cost of Goods Manufactured Schedule for the year ended 31 December 2015.
(7 marks)
- Prepare the correct Statement of Comprehensive Income for the year ended 31 December 2015.
(5 marks)

[TOTAL 20 MARKS]

QUESTION 2**Part A**

Azhar often hears that a job cost sheet is used in job order costing. However, he is still unclear about the usage.

Instructions

- (a) Briefly explain the purpose of a job cost sheet. (1.5 marks)
- (b) Indicate the source documents that are used in charging manufacturing costs to specific jobs. (1.5 marks)

Part B

MA Manufacturing begins operations on 1 October 2016. The company decides to use a job order cost system considering all work is done to customer specifications. The following transactions occurred during the month.

- Oct 3 Purchased raw materials on account, RM80,000.
15 Factory labour costs incurred were RM65,000.
20 The job cost sheet shows that RM60,000 direct materials and RM55,000 direct labour were charged to an ongoing job.
21 An analysis of the materials requisition slips indicated that RM12,000 indirect materials were used.
22 Time tickets also indicated that RM10,000 was indirect labour.
23 Overhead costs incurred on account were RM70,000.
27 Manufacturing overhead was applied at the rate of 180% of direct labour cost.
30 Completed goods were transferred out to finished goods; the remaining goods costing RM100,000 are still incomplete at month end.
31 Finished goods costing RM60,000 to manufacture were sold on account for RM78,000.

Instructions

- (a) Prepare journal entries to record the above transactions. (11 marks)
- (b) What is the amount of under- or overapplied overhead? (3 marks)
- (c) Prepare the adjusting entry to assign the under- or overapplied overhead for the month to cost of goods sold. (1 mark)
- (d) Calculate the adjusted cost of goods sold amount for the month. (2 marks)

[TOTAL 20 MARKS]

QUESTION 3**Part A**

Companies use process cost systems to apply costs to similar products that are mass-produced in a continuous fashion. On the other hand, job order cost system assigns costs to specific jobs. Your sister, who has just started her course on Management Accounting, is still confused about these two cost systems.

Instruction

Briefly explain **FOUR (4)** differences between job order cost and process cost systems to your sister.

(4 marks)

Part B

Black Horse Ceramic manufactures high quality ceramic tiles. The company uses a weighted-average process cost system. Materials are added at several stages during the process. Labour and overhead costs are incurred uniformly.

Production and cost data for the Grinding Department during October 2016 are presented below.

Production Data	
Units in process, Oct 1 (<i>materials and conversion 55% complete</i>)	20,000
Units started into production during October	70,000
Units completed and transferred out	?
Units in process, Oct 31 (<i>materials 70% complete, conversion 40% complete</i>)	40,000
Cost Data	
Work in process inventory, Oct 1	RM
Materials cost	17,500
Conversion cost	21,900
Cost added during October:	
Materials cost	80,000
Conversion cost	120,000

Instruction

Prepare a production cost report for the Grinding Department for the month of October 2016.

(16 marks)

[TOTAL 20 MARKS]

QUESTION 4**Part A**

Cost-volume-profit (CVP) analysis is the study on the effects of changes in costs and volume on a company's profits. CVP analysis is important in profit planning. It is also a critical factor in management decisions, such as, setting selling prices, determining product mix, and maximizing the use of production facilities. CVP analysis assumes that a company sells only one product. However, most companies sell multiple products. When a company sells many products, it is important that management understands its sales mix.

Instruction

Briefly explain what sales mix is and how sales mix affects the calculation of break-even point.

(3 marks)

Part B

The income statement of Nexus Company for 2015 appear as follows.

Nexus Company	
Statement of Comprehensive Income for the Year Ended 31 December 2015	
	RM
Sales (30,000 units)	750,000
Variable expense	(525,000)
Contribution margin	225,000
Fixed expenses	(210,000)
Net income	<u><u>RM15,000</u></u>

Instructions

- (a) Calculate the contribution margin per unit and contribution margin ratio.
(4 marks)
- (b) What was the company's break-even point in sales ringgit?
(2 marks)
- (c) How many additional units would the company have to sell next year in order to earn a net income of RM30,000?
(4.5 marks)
- (d) If the company is able to reduce variable costs by RM2.50 per unit in 2016 with other costs and unit revenues remaining unchanged, how many units will the company have to sell in order to earn a net income of RM30,000?
(6.5 marks)

[TOTAL 20 MARKS]

QUESTION 5**Part A**

Absorption costing is a costing approach in which all manufacturing costs are charged to the product. On the other hand, variable costing is a costing approach in which only variable manufacturing costs are product costs, and fixed manufacturing costs are considered as period costs.

Instruction

If production is greater than sales, how does absorption costing net income differ from variable costing net income? Why?

(4 marks)

Part B

Syarikat Ferazzo manufactures and sells shopping trolleys. Cost and sales data for the first month of operations, October 2016, are shown below.

Quantity	
Beginning inventory	0 unit
Units produced	15,000 units
Units sold	12,000 units
Manufacturing Costs	
Direct material	RM60 per unit
Direct labour	RM20 per unit
Variable overhead	RM10 per unit
Fixed overhead	RM600,000
Selling and Administration Expenses	
Variable	RM8 per unit
Fixed	RM480,000

The shopping trolleys sell for RM250 per unit. The company's management is concerned about the opening month's results and performance.

Instructions

- Prepare the Statement of Comprehensive Income for the month ended 31 October 2016, assuming the company uses absorption costing.
(6 marks)
- Prepare the Statement of Comprehensive Income for the month ended 31 October 2016, assuming the company uses variable costing.
(7 marks)
- Reconcile any differences between the net income on the absorption costing and the variable costing statements of comprehensive income.
(3 marks)

[TOTAL 20 MARKS]**End of Page.**